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Chilton's

AUTOMOTIVE MARKETING

The Marketing/Business Magazine For The Retail Aftermarket

NOVEMBER 1987

BUYERS & REPS:

A Good Relationship Brings Relief From Pressing Demands

Chemicals: Suppliers Add New Zest To Standard Products And Their Extensions

Security: Vehicle Theft Moves To Smaller Markets, Brings Retailers Ammunition

Market Line: Has A Chill Frozen The Spark Plug Market For Good? Do Parts Retailers Belong In Automalls?

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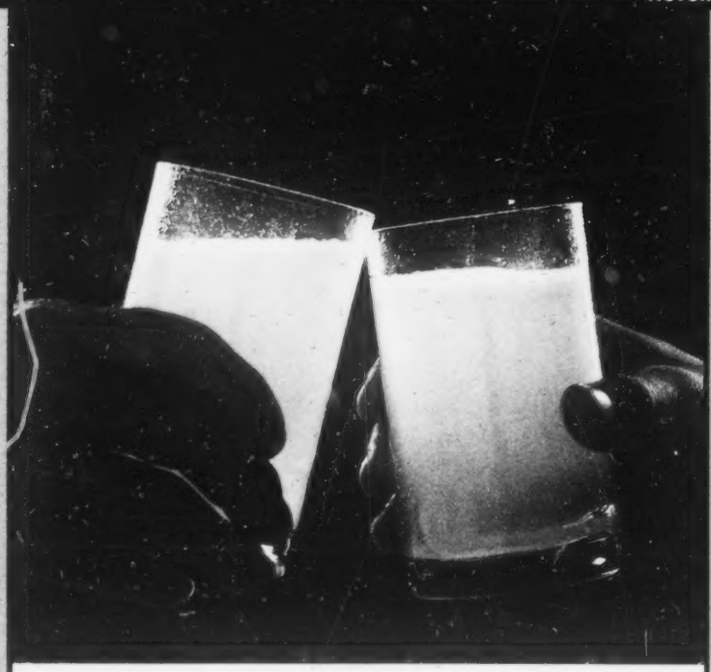

FEATURES

Buyers And Reps: A Good Relationship Brings Relief 27
Both buyers and reps have many frustrations. We know. We asked them. But it's not all negative. Here's what we found out.

Cash In On Chemical Sales 31
While everyone talks about how the weather will affect the sales of automotive chemicals, manufacturers are doing something to stimulate the market.

Security: A Hard Sell Does Good 39
Security is still a hard sell for some retailers. But the profits from doing a good job selling security products are worth the effort.

DEPARTMENTS

Detailing The Market 5
Editorial 13
The *Automotive Marketing* Index 14
Market Line 16
Products 42
Merchandising Page 44
Reader Service Card 45
Rep Guide 47
Ad Index 50

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PUBLISHER'S NOTES

A PLANNING BREAK

Even as we near 1988 and the peak of the next year's planning season, we're still excited by 1987, and the stories in this issue.

Chief Editor Rosemarie Kitchin writes of the buyer/rep relationship. Both benefit from working with each other.

Contributing Editor Ed Kaufman looks at the high activity level within the appearance chemical segment. It's safe to say that waxes aren't waning these days. He analyzes the maintenance chemicals and additives segment activity, too.

Senior Editor Gail Krueger-Nicholson writes that crime, specifically vehicle theft, has moved to smaller towns, bringing with it the opportunity for retailers to cash in with security products.

What's a series on commodities without the spark plug story? We've got it, in our Market Line section. Should auto parts retailers try to make themselves comfortable in automalls? Read our thoughts on this in Market Line, too.

Take a break from planning and enjoy our November issue. You'll find it helpful as you think about 1988. We guarantee it!

Let us hear from you! ■

Sarah Frankson, Publisher

DETAILING THE MARKET

IN-STORE FOCUS

OTASCO
Headquarters: 11333 E. Pine, Tulsa, OK 74116
(918) 437-7171
Stores: 558
(267 company owned)
Total Corp. Sales: $308,000,000
Average Auto. SKUs: 4,000
Founded: 1918, as Oklahoma Tire and Supply Co.

OTASCO's chairman Jerry Goodman is very forthright about it. "Right now, we're taking a very hard look at the automotive market from the standpoint of do-it-yourself *and* the service portion. We're probably overall tilting toward the service portion because our basic philosophy is of taking cues from the marketplace," he said.

"The graying of America means that service will become more important," he said. "Not only do people become more intense service customers as they become older, they also have the discretionary funds to buy that service, a fact that many marketers ignore."

"That's not to say that we'll discount the do-it-yourself market. It's still a very important part of our business. I, and we, have enormous confidence in the young population's ability to master the new technology and work on cars. We have no intention of decreasing that emphasis."

How can this company do both – work to retain and grow its DIY business *and* concentrate on its service business? OTASCO, purchased in a leveraged buy-out (LBO) in 1984 by its employees, has done what most LBO companies do after the financial rush is over. It's taken a good look at why it's in business and formulated a growth plan.

"I have a firm belief that companies either grow or die. At this time, we're really very, very busy in terms of getting our operation reduced to a highly disciplined formula which we can cookie-cut. Once that's done, we'll be on the acquisition trail.

"We've always managed a certain level of growth. This will accelerate once we get through the transition period," Goodman said.

The transition period of which Goodman talks has been some hard times. OTASCO's marketing area is a 14 state region based from the depressed oil patch states. The region's secondary industry, agriculture, is hurting now, too.

Goodman notes that the depression may have spurred its automotive parts and service sales. "While I don't have concrete proof," he said, "I believe that the economy has improved sales of our automotive products, both service and DIY sales. I suspect the age of cars driven in this region has gone up, creating more aftermarket business. The vehicle age is only a surmise on my part, but it's no surmise that our automotive business has increased during the past years."

The depression, coming hard upon the heels of the employee buy-out, caused OTASCO to examine its expense structure, to weed out programs and people, and even stores, which no longer made sense. "It was extremely painful," according to Goodman, "but probably one of the healthiest processes our company has gone through."

Some of the results? There are now three distribution centers rather than four, 29 stores no longer bear the OTASCO signage, and sales are concentrated in product areas which have proven more than marginally profitable. Hardware, small appliances, and sporting goods are gone. Large appliances, bicycles, electronics, and leisure products remain.

OTASCO has a new logo, with new colors. It's working hard on perfecting its new store layout and format (to make that cookie cutter).

Automotive (both retail and service) is a crucial emphasis, generating about 30% of the company's sales. It may be getting more than 30% of its attention, however: automotive SKUs, now at 4,000, will push up near 6,000 as OTASCO hones its service/parts/merchandising program.

Goodman says, "For a while, we forgot our roots. Before the buy-out, OTASCO had gone through a period where our automotive business as a percentage of sales had declined. We began to reposition automotive as soon as the buy-out was complete. We're putting together carefully constructed packages of automotive service and parts and advertising communications."

OTASCO's current service package (bays in OTASCO stores number from 1 to 13) has a fairly limited menu. "It's basically brakes, shocks, exhaust, electrical, and oil changes, as well as our TBA installation."

DETAIL

17%

of all Americans lived in a different home in 1986 than they did in 1985, according to the 1986 Current Population Study. Of that, half moved more than once during the year.

PROFILE: DIYers WHO ENJOY AUTOMOTIVE DIY WORK A GREAT DEAL

Drawing from the 1987 *Automotive Marketing Consumer Autoqnotive Repair Study*, we look at DIYers who say they enjoy doing automotive maintenance work themselves a great deal.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	83.6%	16.4%	21.6%	25.7%	22.8%	10.5%	19.4%	34.5%	27.5%	16.4%	21.6%	10.5%	53.2%	17.5%	18.8%

THE AUTOMOTIVE MARKETING INDEX

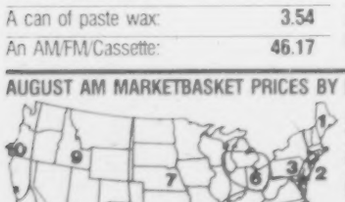
THE 1987 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index. The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

AUGUST 1987 NATIONAL AVERAGE MARKETBASKET PRICES

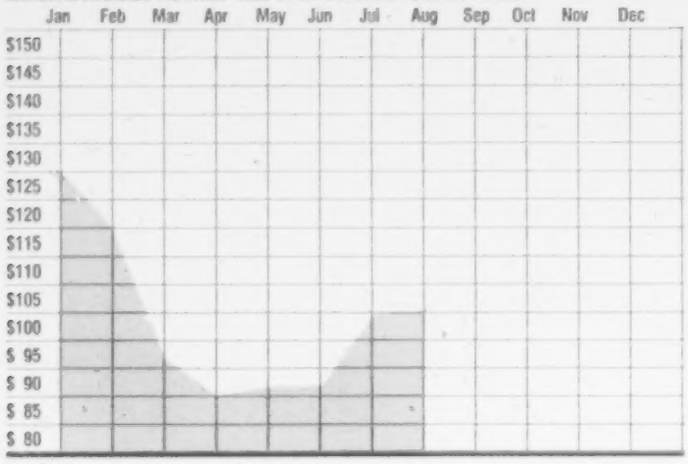
A non-resistor spark plug:	$ .75	A gas-charged shock:	$ 13.49
An oil filter:	1.95	One gallon of antifreeze:	3.68
A can of 10W30 oil:	.69	One pair of wiper refills:	2.84
A can of paste wax:	3.54	A 40-month battery:	26.68
An AM/FM/Cassette:	46.17	**Total:**	$ 97.35

AUGUST AM MARKETBASKET PRICES BY MARKETING AREA



1. Greenbelt East:	$ 97.35	3. Smokestack East:	$ 89.34
2. Megapolis East:	92.67	4. Old South:	95.95
		5. Caribbean South:	103.54
		6. Smokestack Central:	132.35
		7. Grainbelt Central:	98.13
		8. Spanish West:	83.78
		9. Desert West:	112.01
		10. Greenbelt West:	98.30

NATIONAL AVERAGE MONTHLY 1986-87 AFTERMARKET BASKET PRICES



AFTERMARKET BUSINESS INDICATORS

	Unit/Base	Mo/Qr	Current Period	Prior Period	Year Ago, Same Period	Low (61-87)	High (61-87)
Consumer Confidence	(65 = 100)	Apr	91.9	98.4	95.4	--	--
Prime Rate	%	Sept 8	8.75	8.25	8.00	--	--
Retail Sales	Billion $	July	127.57	126.62	119.3	--	--

1987 AFTERMARKET STOCK PRICES

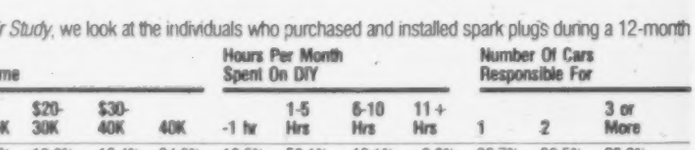
The figures below are the high and low prices offered and paid for various aftermarket-related common stocks in various exchanges for the 52 week period prior to October 7.

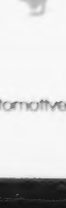
	Exchange	52-week High	52-week Low	10/7 Quote	P-E Ratio
Armor All	OTC	27 1/4	10 1/4	22	26
AutoSpa	OTC	6 1/2	1 1/2	4 1/16	362
Champ Parts	OTC	12 3/8	6 7/8	9 7/8	45
Champ Spk Plg	NYSE	16 3/8	9 5/8	14 1/8	471
Chief Auto	OTC	19 3/8	4 1/4	13 3/4	15
Crown Auto	OTC	4 3/8	3	4 1/8	--
Dana Corp.	NYSE	54 1/4	27 3/4	50 7/8	26
Durakon	OTC	14 1/4	10	13	16
Echlin	NYSE	25 1/8	14 7/8	18	17
Facet	NYSE	23 1/8	10	11 1/8	23
Genuine Parts	NYSE	44 3/8	27 3/4	38 1/2	23
Grand Auto	AMEX	25 1/4	14 5/8	15 1/4	127
Modine	OTC	22 3/4	11 3/4	21 1/2	15
Mr. Gasket	OTC	15	4 3/8	7 1/4	--
Prkr Hannfin	NYSE	49	23 1/4	46 1/4	25
Pennzoil	NYSE	95	62 1/8	71	46
Pep Boys	NYSE	18 7/8	13	17 3/8	29
Perry Drugs	NYSE	15 3/8	9 1/2	11	--
Quaker State	NYSE	31 3/4	21 7/8	24 1/2	--
Rite Aid	NYSE	46 1/4	26 3/4	37 1/4	18
Sealed Power	NYSE	39 5/8	24 7/8	37 3/4	14
Southland	NYSE	80 1/4	44	74 1/4	13
Stan Mtr Prod	NYSE	25 3/8	16 1/2	18 7/8	14
Superior Ind	AMEX	19 3/8	11 1/8	15	10
TBC Corp.	OTC	13 3/4	3 3/4	13 5/8	--
TRW	NYSE	70	48 1/2	63 1/4	19
Tenneco	NYSE	62 1/2	37 1/8	61 1/8	--
Tracor	NYSE	33	16 3/4	32	34
Trak Auto	OTC	19	11	17 1/2	34
Triad Systems	OTC	15 1/8	8 1/2	13 1/4	26
Witco	NYSE	47 3/8	31 1/2	41 3/8	14

DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of October 7.

AM 17 COMPOSITE AFTERMARKET STOCKS





PRODUCT OF THE MONTH: SPARK PLUGS

Drawing from the 1987 *Automotive Marketing Consumer Automotive Repair Study*, we look at the individuals who purchased and installed spark plugs during a 12-month period.

			Age					Income				Hours Per Month Spent On DIY				Number Of Cars Responsible For		
Total	Male	Female	-25	25-34	35-44	45-54	55+	-$20K	$20-30K	$30-40K	40K	-1 hr	1-5 Hrs	6-10 Hrs	11+ Hrs	1	2	3 or More
100.0%	71.3%	28.7%	12.6%	28.5%	26.1%	14.9%	17.5%	23.9%	19.0%	16.4%	24.6%	18.5%	58.1%	13.1%	8.8%	36.7%	36.5%	26.8%

MARKET LINE

MARKET ANALYSIS

The Big Chill: Spark Plug Market Matures; Is A Shakeout Coming?

When seven straight manufacturers tell you the spark plug market is declining, and only disagree about how much, you have to wonder about the future of the market. Still, a market with about 630 million units sold annually, and retail dollar sales in the $1 billion range, is a market worth pursuing. That's why there are seven major companies fighting for share with lots of merchandising and advertising help for retailers.

Twenty years ago, there were only three companies that mattered. But 20 years ago, the spark plug market was pretty simple. The eight-cylinder domestic cars that made up perhaps 75-80% of the vehicle population in those days needed a tune-up every 10,000 miles or so, and spark plug replacement was a relatively simple DIY job. A tune-up was also a reasonably cheap job at a professional shop for non-DIYers.

Today, it's a different story. Perhaps only 45-50% of the cars and trucks on the road are V-8s, about 30-35% are four-cylinders, and 20-25% are six cylinder engines. This simple fact alone spiked spark plug growth. Although the number of holes to fill has not declined as drastically as some manufacturers feared, it has fallen. Add to that the fact that plugs last longer in engines burning unleaded fuel, and the desire of OE manufacturers for long-lasting plugs to operate in longer warranty cars, and you've got a tough act for spark plug replacement sales.

Today, a two-year, 24,000 mile plug is assumed. "That's nothing special," one spark plug maker's vp-sales said. "That's a given. We're pushing for a 50,000 mile plug, and heading for the 100,000 mile plug. But it's still a few years down the line yet." One interesting question is whether consumers will pay the premium price for such high quality plugs or if manufacturers will have to create dual lines for replacement plugs.

Of course, these are long-term concerns. Right now, manufacturers are concerned about gaining share in a market that's shrinking by about 2-3% a year. In such a market, the only way to survive is to take market share. And, as a result of this competition, the careful consumer can always find a rebate or promotion that keeps prices under $1 per plug.

"There're lots of people discouraged by low ball prices," a maker said. "We'd all like to sell a plug for more money. But in this market, the retailer has got to learn to sell related items. I know one chain that calls up related items right on the clerk's catalog screen and underlines the preferred sale so he has no excuse not to try and sell it. There are some people who give away plugs just to sell plug wires."

Estimates of DIY plug replacement were all over the board. After listening to seven manufacturers' estimates, we put it at about 40-45%. The auto chains outsell jobbers at about a three to two ratio for DIY sales. One reason for continuing strong DIY sales is the number of older cars still on the road. Most manufacturers expect DIY to drop steadily as older cars are scrapped. DIY plug replacement is not going to go away, manufacturers said, but it's going to fall into the 35-40% range, and perhaps a few percentage points lower in the long term.

At the retail level this trend will mean more competition for the DIY dollar and

WHERE SPARK PLUGS ARE SOLD

Outlet	% Of Total Sales	Competitive Outlook
Gas Stations/ Garages	33-36%	Will need to buy expensive diagnostic equipment to compete as older cars are scrapped.
Auto Chains	18-21%	Must keep DIYers abreast of technology. Chains with service will benefit.
Car Dealers	12-15%	Import dealers definitely a sales growth area. Longer warranties may help.
Discount/ Department Stores	11-13%	DIY sales may fall. Service bay sales will grow slightly; could do better with support.
Jobbers (Retail)	11-13%	Sales will fall off if serious DIY drops.
Tune-Up Specialists	5-6%	Solid sales growth expected.
Tire Stores	1-2%	Have best equipment. Sales may grow with advertising.
Others	4-6%	Sales from grocery/drug stores will decline with DIY.

Source: *Automotive Marketing* estimates from various industry sources.

MARKET LINE

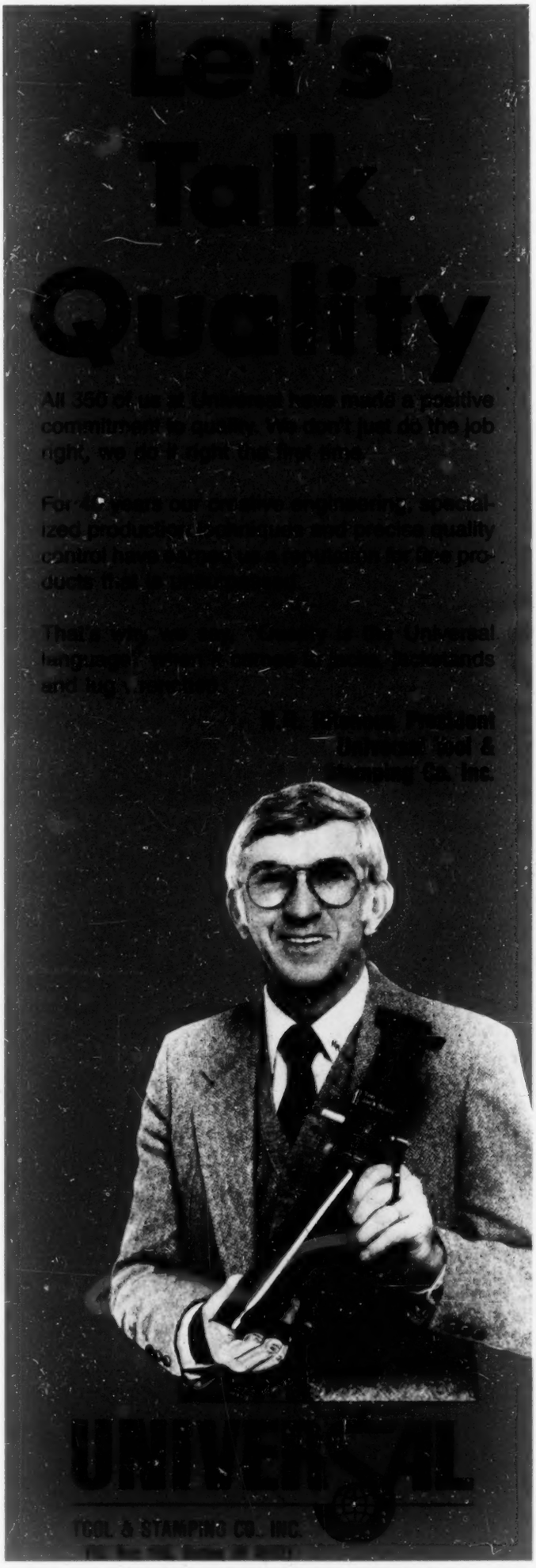
the chains with bays will benefit. Manufacturers hope it will mean more price stability and less need for expensive consumer advertising.

But as one import manufacturer suggested, selling the installed market is not easy. "Retail sales offer a clean, established, proven way to boost market share. Even with retail demands for advertising and co-op support, you can be pragmatic: it works. You sell 400-500 stores at a time and get instant credibility. But selling the traditional side is tougher and more time consuming. You have to sell the WD, the jobber, and the mechanic. It's a minimum two-step sell. The jobber's the most critical. The jobber's the decision maker. And the jobber's been told that you have to stock Champion and AC. And some felt they should have Autolite and Motorcraft also. They've been conditioned to this because those companies had huge sales forces calling on jobbers. But times are changing and factories can't afford those huge sales staffs any more. The economics just aren't there. And the jobber can't afford to carry four lines. The return on investment isn't there. The jobber's been forced to become a businessman. That's our opportunity to sell one line for imports and domestic. The long term trend favors us (the import OE suppliers)."

The growth in imports presents offshore manufacturers with an unprecedented opportunity to gain share and the established domestic manufacturers with a challenge.

Until the 1970s, the Champion Spark Plug Co., Toledo, OH, and AC-Delco, Detroit, dominated the market with a few sales for Motorcraft-Ford Parts and Service Div., Dearborn, MI (plugs made by Autolite). But first Autolite itself, and now Bosch, NGK, and Nippondenso are nipping at the leaders' heels. And although Champion and AC still control perhaps three-quarters of the total market, there are good reasons to believe this may not be true much longer.

Champion is number one in spark plug sales with about 38-42% of the market. Last year the company sold about 550 million units worldwide. Champion has the best brand awareness and spends over $3 million a year to keep it. It also has brand loyalty handed down from grandfather to father to son. The company has the widest distribution. Although import growth works against it, the company is OE to Hyundai and has good worldwide distribution. It is one of the few American companies that have had



(Circle 9 on Product Information Card)

success selling overseas. But there are cracks in the Champion empire, as one competitor put it.

The company admits that it's had problems "reading the market" in recent years because of four-cylinder cars, imports, and no-lead gasoline. With SKUs ranging from 35 in discount stores to 100 in chain stores, and 250 or so at WDs, knowing what to sell is a key factor, and buyers lean on manufacturers for advice.

Then too, the company has had the problem of any market leader in adjusting to a more competitive environment. But Champion has taken some dramatic steps to change the company. Spark plugs presently make up about 45% of Champion's sales. In recent years, Anco wipers have become more important to the profit picture. And, just last year, management took the company into other automotive lines such as wires, filters, and chemicals to reduce the company's dependence on spark plugs. Champion has been the market leader since the 1950s. It has a strong tradition of service to retailers, and it's much too soon to count the firm out.

At 30-35% of the market, AC-Delco is right behind Champion. But like Champion, its market share has been dropping. The GM connection is a plus for loyal GM owners. But it's a fickle marketplace and some competitors said the OE connection no longer works in the aftermarket. The OE connection also has its negative side: for example, competitors wonder why consumers would buy AC plugs for Toyotas. This may be true, however, loyalty and a long history give AC continuing strength in the market.

AC also has a plus in the fact that the AC Spark Plug salesman also carries AC-Delco batteries, filters, and a wealth of other parts that retailers stock. AC-Delco is the replacement supermarket for retailers. And still, despite its problems, AC-Delco sells a third of the market.

There are some other concerns about AC-Delco. For one thing, GM profits are down, although $2.95 billion in profits in a *bad* year is the kind of bad year a lot of companies would like to have. As a result, GM has begun a close study of all its suppliers, including AC Spark Plug, in terms of profitability and competitiveness. GM is considering as much as $4 billion in outsourcing. Although results are not in yet, union scale wages make AC's manufacturing costs higher than other plug makers, a detriment to a cost-conscious OE maker.

Autolite/Allied Aftermarket Div., East Providence, RI, has come from virtually nothing in the 1970s to a solid number three with an 18-23% market share in the 1980s. One competitor called Autolite "Champion's bane" because it's taken away so much of Champion's business.

The company has excellent marketing programs, competitors said, and can work tie-in sales with Fram filters and Bendix brakes. In addition, Autolite's plugs are priced slightly below Champion and AC. One competitor summed it up, "They're positioned to do very well." Of all seven companies, Autolite was most expected to continue gaining share.

Along with Autolite, we should tie in Motorcraft, which buys from Autolite. Motorcraft, of course, has the Ford connection and about a 7-10% share of the market. Motorcraft always been a factor in the market, although, as one executive put it, "For some reason, they don't sell as many plugs as they ought to, even to Ford owners."

Making up the other 10% or so of the market are three offshore companies: NGK Spark Plugs USA, Torrance, CA; Nippondenso of Los Angeles, Long Beach,

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It'll show you where your customers will be seeing commercials for the #1 oil filter, the best known name in brakes, and the spark plugs and spark plug wires with the best guarantee.
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CA; and the Robert Bosch Corp., Broadview, IL. Although these three together have less than 10% of the market right now, the trends are with them for future gains. They are selling more plugs simply because Americans are buying more imported cars.

NGK and Nippondenso are the two largest spark plug makers in Japan, and Bosch is the number one spark plug maker in Europe. NGK has the larger share of the two Japanese companies: about 2-4%. It does 90% of Nissan OE business, 60% of Mazda and Subaru OE business, and splits Honda evenly with Nippondenso. The company makes only plugs and, like Champion used to do, can focus on the plug business. It also has less controls from its OE connections.

Nippondenso, on the other hand, is a major auto parts maker in Japan. However, it only sells plugs and a few other products in the U.S. Its share of the plug market is 1-2%. Nippondenso has about 90% of Toyota OE business, half of Honda, and about 40% of Mazda and Subaru. But Toyota plays a more decisive role in Nippondenso business than does Nissan for NGK. Toyota also markets Nippondenso plugs at Toyota dealerships under the Star program.

If imports reach 50% of new car sales, as predicted, both Nippondenso and NGK should grow to at least match Motorcraft. Both have been making increases in the number of outlets selling their plugs, particularly import numbers. But neither has had great success in selling full line coverage. Another factor holding them back is the Japanese desire not to inflame Congress by stealing even larger shares of the domestic aftermarket.

Bosch has no such worries. The company has about a 4-6% share of the market and is targeting the specialty tune-up centers. Tune-up centers represent one major growth segment in the market. Bosch also offers retailers a premium platinum plug that's unique in the market, and has had some success in selling the line. "They've targeted a niche where they can make a rapid growth," a competitor said. "And they're doing a good job." Bosch also benefits from its OE connection to German and other European cars. A competitor called it the "yuppie" plug.

What do these companies see in the future? Long-term, a drop in the DIY rate as more casual DIYers turn to tune-up centers. No one predicts a drastic fall, but expectations are that the DIY rate will be closer to 35% than 40% by 1990. On the professional side, service stations and traditional garages may lose some business simply because they can't afford the expensive equipment needed to work on newer ignition systems. This business will probably go back to dealers, or to chains and specialists that have the equipment to test electronic ignition systems.

On the short term, a cold Winter could push up the tune-up rate and spark plug sales, which will be good for everybody, retailers and manufacturers alike. ■

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SHOW UPDATE

More SEMA/AI Show Seminars Planned

In addition to the schedule we published in last month's Market Line section, the Specialty Equipment Market Association (SEMA) has added two 8:30 am seminars for Thursday, November 19, to precede the SEMA/AI Show in Las Vegas. The seminars are: "Training Counterpeople" and "How To Squeeze More Out Of Your Profit Dollar." ■

BUYERS & REPS:
A Good Relationship Brings Relief From Pressing Demands

Both buyers and reps have many frustrations. We know. We asked them. But it's not all negative. Here's what we found out.

by **Rosemarie Kitchin,** Editor

Neither of them, automotive parts buyers nor the representatives who call on them, has "the perfect job."

Both parties to the retail automotive aftermarket selling situation have restrictions and frustrations in their workplace, but they also have some job satisfaction. They realize that they must work together, understand each other's viewpoint, and try to do business with the other party's perspective in mind, hard as that may be sometimes.

This is true whether those sales people work directly for a supplier company or are employed by an independent manufacturers' rep firm. It's true whether the buyer is the owner of a one store operation, or responsible for multiple product lines for several hundred stores.

Getting Down To The Human Elements

Every analysis of the relationship between buyers and sales reps starts and finishes with the basics of people-to-people relationships.

When buyer and rep like and respect each other, the business relationship prospers. So does the business.

People buy from people they like," said Vince Voetberg, sales representative for Cal-Trac Equipment Inc., Detroit. Voetberg, a top producer for his company, has sold aerial work platforms for the last six years. Talking of his own success, he said, "I never returned to college after that first year. I got a summer sales job which I never left. I just found the career for me.

"People tell me I'm a natural at it. I like people, I like to listen to them, I like to solve their problems. When I can solve those problems with my products, it's a win-win situation."

Voetberg may be what people call "a natural at sales," but whether he was born with the knack and the right perspective, or whether he developed the talent of seeing what needs to be done from the other party's viewpoint along the way, he's the kind of sales rep a buyer looks forward to seeing.

The person who hired him chose well.

Looking For True Love

Rick Frank, buyer for the Auto Supermarket Chain in Uniontown, PA, compares a successful buyer/rep relationship to a marriage. (See "The Fable Of Buyers And Reps")

The buyer/rep relationship may well be like any marriage which is functioning successfully. It's based upon mutual respect, trust, and the affection, if you will, of both parties for each other. It's based upon perspective, perception, and understanding of what each party needs from the relationship. And it's based upon hard work to help the other partner accomplish those needs.

Automotive Marketing surveyed both automotive parts buyers and manufacturers representative personnel for their opinions about the working relationships in the industry. Interestingly enough, the issues which surfaced from our survey and its analysis were overwhelmingly human concerns. Few comments dealt with *industry issues* such as the "extraordinary merchandising support demands" which retail customers are asking from suppliers (sometimes through the reps who serve as intermediaries between the two parties), or the Wal-Mart policy of cutting reps from the buying procedure. (See *Automotive Marketing*'s three part series on co-op advertising in our April, May and June 1987 issues).

What both buyers and reps told us dealt with the human relationship problems, not aftermarket specifics.

Defining The Jobs

There is consensus about the functions of buyers and reps. Bob Heather of Perry Drugs, Pontiac, MI, defines his buyer responsibility this way. "I have to anticipate the customer and his needs, and use as few SKUs as possible to do it. 'If it isn't at Perry's, you don't need it' should be the buyer's philosophy when it comes to picking product."

According to Heather, a good buyer helps his or her company with the least possible investment. And a good buyer works hard on his business relationships, Heather said, not only with the reps so he gets the best deals, but also with in-store personnel so that his products get the best facings. (For a closer look at just what buyers do, see the boxed interviews with Crazy Joe's buyers on these pages.)

While buyers have one definite goal, to work for the profit of their stores, in the eyes of the industry the rep must look in more than one direction.

Greg Brusco and John Stone, both buyers with Perry Drugs' Auto Works

THE FABLE OF BUYERS AND REPS

Even adults like stories which begin with "Once upon a time," or stories that make their point subtly or cleverly. Rick Frank, Frank's Auto Supply, Uniontown, PA, responded to our query about the relationship between buyers and reps with the following fable.

The relationship between a rep and a buyer is like a marriage. The man (the rep) has only one thing on his mind. . .sex (orders). He wants nothing to do with yard work (follow-up work).

Meanwhile, the nagging woman (the buyer), who also happens to enjoy sex occasionally, constantly complains about the yard work that isn't getting done around the house (stores and warehouse). She does a lot of housework (profit analysis) and laundry (company meetings) and doesn't feel that she should have to do the yard work, too.

The man could be very important to the woman if he would do his yard work, but he ignores the height of the grass (obsoletes) and the unruly bushes (defectives and warranty). And the woman can't concentrate on sex because all she can think about is the yard work that should have been done long ago.

The marriage continues like this until the woman gets tired of it and has to make a decision (line change). Unless she really loves the man, or the sex, enough to put up with his laziness, she can either withhold sex until he straightens up the yard, or she can find a new man who likes sex and will do yard work, too. However, those men are hard to find.

Moral If reps want more sex, they should spend more time in the yard!

'Nuf, said?

BUYERS & REPS

Divivision, agreed. Brusco said, "A rep's function is communications between factory and retailer." Stone broadened the rep's viewpoints further when he said that a rep should "keep the buyer current on what is going in with the supplier, the industry, and my competition."

The rep's role may seem precarious, too. One rep compares his function with a weight on a teeter totter, "keeping the balance between my factories and my customers."

A customer of sales rep Art Payne of Rex & Associates, Rochester, MI, sees reps as "brokers who work the connection between factory and stores, and get paid for it."

Reps themselves see their jobs as selling products for the manufacturers which they represent to the stores upon which they call. They put the follow up necessary to service the accounts high on their priorities.

Stan Padover of Automotive Aftermarket Representatives Inc., East Meadow, NY, puts the rep role succinctly, "Our primary function is to service, and our other important function is to sell."

David Weiss of Marc Alan Associates Inc., River Edge, NJ, was more expansive. He said, "Our function is to present lines and items. To write orders. To write ads. To call in orders. To follow up orders at the factory. To fight with truckers to deliver orders. To correct invoices. To collect monies due from customers and manufacturers. To educate new sales managers and new buyers."

When Gerry Clark of Gerry Clark & Associates, Houston, TX, defines his rep functions, he adds the dimension of seeing his job from both sides. Clark aims to "bring the factory program in sync to coincide with the customer's way of going to market!"

Telling No Lies

If there's one more thing upon which both buyers and reps agree, it's honesty. We found that honesty was the most appreciated attribute for both buyers and reps. On the other hand, the same attribute ranked just as high on both buyers' and reps' "want lists" as the one thing which could be improved in the relationship.

According to our panelists, candor will help buyers understand the factories' limitations, and reps, the demands of the retailers.

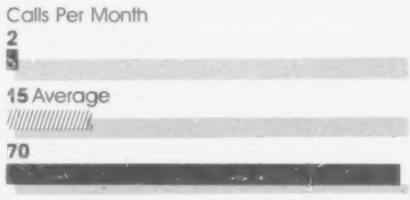
Open minds are also high on the list of attributes which contribute to the successful working of buyers with reps.

In response to a question about what one thing would improve the buyer/rep relationship, Ken Takaki, E&T Sales Inc., Honolulu, said he wants buyers to have "an open minded attitude about all the help a rep has given him."

Red Jacobsen, Pacific Marketing Associates Inc., Seattle, would like it if buyers "wouldn't make a snap judgement about

HOW MANY REPS DO BUYERS SEE?

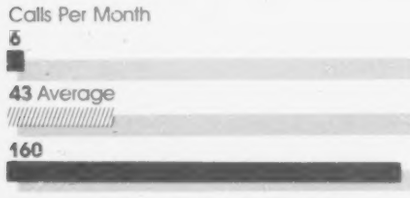
We asked our Corporate Headquarters Buyers Panel: "How many reps do you see, on the average, each month?" The answers ranged from a low of two to a high of 70, with 15 reps being the average. Overwhelmingly, our panel told us they prefer that reps set appointments in advance, send them information before the scheduled meeting, and provide sample products. The majority of the buyers prefer monthly appointment with reps, but a substantial minority want reps to call on them "whenever necessary."



Source: 1987 *Automotive Marketing* Corporate Headquarters Buyers Panel

HOW MANY BUYERS DO REPS SEE?

We asked our Rep Panel: "How many buyers do you see, on the average, each month?" The answers ranged from a low of six to a high of 160, with 43 buyers being the average. All of the reps said they called in advance for an appointment, generally between one and two weeks ahead. Contrary to what the buyers said they want, the reps said they prefer to control the presentation by not sending material to buyers in advance.



Source: 1987 *Automotive Marketing* Rep Panel

THE CHEMICAL AND ACCESSORIES BUYER

Crazy Joe's is a two dozen automotive parts stores chain operation in the Carolinas, privately owned by Joe Armentrout and headquartered in Kannapolis, NC. Its business is almost totally retail. The chain promotes heavily, and the product mix is typical of that for a business catering to DIYers in the Southeast. Every store has tools for rent, a copy machine for DIY customers to copy automotive repair manual pages, and a very visible selection of performance products. That's in addition to the customary retail store mix of parts, chemicals, and accessories.

Mark Gagliano's been buying inventory for Crazy Joe's for a little more than two years now.

Gagliano's responsibilities include buying chemicals and accessories, and in Crazy Joe's operation, a buyer is also responsible for individual store inventory levels on his lines.

Gagliano's been in the parts business for 13 years, on both coasts, in Colorado with Mother Trucker, and now down in the Carolinas. He "came in" from store management to buy.

While he doesn't have the ultimate change-over decision authority, he does talk with all reps seeking to place new lines within the chain, and presents the programs to Armentrout. When he's looking at a new line, Gagliano evaluates the order fill (Is it as good or better?), the profit structure (Is it better than Crazy Joe's present line?), the packaging (Is it comparable? Right for the stores' needs?), the suppliers (Reputation? Support?), and the rep, whether direct or multi-line (How does he perform for his line? Or lines?).

When it comes to reps, Gagliano said a good rep is one who brings all that's necessary to the presentation, including samples. The good rep works with Gagliano on a continuing basis to handle rejects, and keeps Crazy Joe's computers current with updates and deletions. He also keeps Gagliano current on what's happening in the product market.

Further, a good rep negotiates the initial order, helps with dating terms, gets that extra percentage for the retailer and shows up for, and works at, new store openings.

"If a good rep changes firms or loses a line, it's no matter. He's still a good rep. We worked with someone who lost a line he had 16 years: he did a good job. We'd like to work with him again, and we'll look real hard at what he brings us," said Gagliano.

Gagliano doesn't like reps to make "moon promises" when they want the sale.

And Gagliano doesn't believe that initial orders are the equivalent of adoption papers, since he also dislikes a rep who "orphans" a new line in the stores.

If Gagliano could choose one more thing for a rep to do, and do well, it would be an annual cleanup of the products at the stores and the warehouse.

What makes a good buyer in Gagliano's evaluation? Someone, he said, who brings in the best programs for his stores when it comes to margins and fills, and who manages the planograms, including many endcap promotions per year, well.

a new line before they see it."

If a rep is "willing to see the total value of a product and not only the price," Tom Gilliam, The Kayes Co., Columbus, OH, would be happier.

Hitting Overload

There's a serious problem which both automotive parts buyers and the reps who call upon them perceive.

Buyers are too busy. One who preferred not to be identified said candidly, "Companies will spend only so many dollars on employees. So things fall through the cracks. You may miss deals, you may miss some good advertising co-op dollars. The worst thing is that you can't find time to make the good judgments about which (decisions) are those which affect the 20% of the products you buy to get 80% of your lines' sales."

Reps, too, see the overload on the buyers. When they expressed what they'd like to change about the buyers, they wanted to do away with the long lead times needed before appointments with some buyers, interruptions during a call, and the incomplete attention which a buyer sometimes pays to a rep.

Larry Johnson, Richard G. Johnson Inc., Farmington Hills, MI, would create more time for buyers so that they could finish projects they start. "They have too much on their minds," another said, "to really pay attention to what we have to say."

Reps are also frustrated by the "buying committee" syndrome which doesn't allow buyers to make decisions on the spot. And they resent losing business without the opportunity to have their products reviewed as the buying committee contemplates a line change.

Making It Perfect

What could make the relationship, given current circumstances, better?

Both parties must earn their own way. A good rep can add value to the relationship, according to Michael Mitchell, Chief Auto Parts, Dallas. Mitchell said, "If a rep is to be a party to the vendor/vendee relationship, he *must* know what his factory is selling, how it fits into the customer product mix/marketing strategy, and how to sell the products through the channels. The rep must add value to the relationship or he has no place."

And, as Mark Noble of Leanse, Mitcham and Noble, Dallas, said, if buyers handle reps "correctly, rather than as an adversary, the reps will help."

Having dual perspective, or even perspective from the "other" side, is a common theme among our panelists. Tom Wilson, McFadden, Emert, Wilson Inc., Seattle, said, "The mutual goal for both parties is to increase the customers' sales of the manufacturers' products. When this goal is achieved, all three parties increase their profits."

His partner, Ron McFadden has spent time on both sides of the sales table. He said, "I spent 12 years as a professional buyer. I saw my role as the eyes and ears of my employer, and I appreciated salesmen who knew their product line (and my business) well enough to make intelligent presentations.

"As a seller, I try to know enough about my line and enough about my customers' businesses to be able to make a case for my product lines on their benefits to the customer.

"The other thing that really matters in a relationship between a rep and a buyer is that I maintain absolute honesty, that I am willing to back up my promises, and that I only sell him what will benefit him.

"On a maintenance basis, it is important to make the best use of a buyer's time by being prepared, by calling far enough in advance to make the best use of his schedule, and by not taking his time for unproductive reasons."

Counting On Friendship

Of course, friendship counts. A lot of reps and buyers spend time together outside of office hours and outside of the office. But as Larry Johnson cautions, "A strong buyer/rep friendship does not mean automatic sales."

Fran Rementer, Fran Rementer & Associates, Philadelphia, has another warning for reps, even those who have had a long successful relationship with certain buyers. He comments, "The relationship between buyers and reps must be nurtured and perpetuated and never, I repeat, never taken for granted.

"This may sound very academic but these relationships, although strong on the surface, can be very tenuous. An unreturned phone call, an unpleasant experience with the company's credit department, poor follow-up on a commitment... these are all negative actions that can reverse a relationship overnight."

So, like any good relationship, that of buyers and reps should be nurtured carefully and constantly. ■

A MIXED BAG BUYER

Tony LaBarbera became a buyer after working in four Crazy Joe's stores as management, one of them for almost three years. Responsible for accessories and some hard parts, he's been behind the buyer's desk for a little more than a year.

LaBarbera sees the buyer's job as "making sure that the stores have what they need when they need it." He relies heavily upon his weekly computer printouts to determine how well he's hitting the mark, on units sold as well as the sales dollar value.

He'll pull his computer report on every line and check it carefully as his warehouse inventory level nears his own critical point on that product category. (The Crazy Joe chain has a central warehouse serving all of its 24 stores).

And LaBarbera figures on "making weight," or buying enough at a time to qualify for the suppliers' free freight requirement, on every single purchase. LaBarbera works hard at buying just the right amount on each line.

"It's like planning Sunday family dinner," he said. "You want to have enough for everybody to eat and be satisfied, but you don't want a lot of leftovers to put away."

For example, he buys brakes, figuring on seven weeks' supply and a three and a half week lead time. He cuts it as close as possible for maximum cost efficiency.

LaBarbera's wants reps to make him aware of new offerings, and send something to him in advance of the presentation, especially samples.

What makes a good rep in LaBarbera's eyes? "First," he said, "you have to remember that a rep pays homage to two of us. He may get a percentage from the vendor, but he has to please us both.

"I like a rep who calls on me more frequently than he sells, but who calls first before he drops in. Dropping in is a turnoff.

"I like a rep who takes care of defects, who touches base, who gives me feedback about my own stores and his lines, and who gives me feedback about the competition's stores and their lines.

"You can get good information from reps. Some I rely on. They're gospel. Others talk to get a sale. I buy from those only because I need the parts or I get the price."

When it comes to line change considerations, his expectations are "the same things which cause us to keep a line." He lists those factors as price, quality, fill rates, and rep service when there's a problem.

If LaBarbera could change one thing about the people who call on him, he'd have the reps bring in "more competitive information, no, be more honest in all ways." Upon further consideration, LaBarbera decided that it was too hard to generalize. "It depends on the rep."

SECURITY A HARD SELL DOES GOOD

Security is still a hard sell for some retailers. But the profits from doing a good job selling security products are worth the effort.

by **Gail Krueger-Nicholson,** Senior Editor

The aftermarket has a love/hate relationship with vehicle security products.

Vehicle owners love security products because they work to protect their cars, light trucks, and vans from thieves. But they also hate security products because the items are a constant reminder of just how nasty the world has become for their favorite vehicles.

Vehicle thieves hate security products because they work so effectively. Security product manufacturers love their products because they work so effectively.

Aftermarket retailers love security products because sales of these items—from the most sophisticated alarm system to the simplest wheel lock—add up to big profits. But some of them also hate security products because these items can be a hard sell.

Bad News Is Good News

The good news is that selling vehicle security products should get easier. That's because the bad news is that vehicle theft is up.

The U.S. Department of Justice reported that vehicle theft rose 11% in 1986 over 1985. The vehicle theft statistics are part of the offenses making up the Federal Bureau Of Investigation's (FBI) uniform crime index which rose 6% overall from 1985 to 1986. The overall cost of vehicle theft to the victims is a whopping $5.7 billion annually, according to the Washington, DC-based National Automobile Theft Bureau. The victims have only about a 60% chance of recovering their vehicles (in one piece), the same group states, in part because the arrest rate for the crime is only about 15%.

All this bad news is part of an interesting trend that started in 1985. During that year, about 1.1 million cars were stolen—that was about one out of every 159 registered vehicles. And a lot of those vehicles disappeared from areas not previously noted for vehicle theft. For instance, vehicle theft rose 16% in the South between 1984 and 1985. During the same time period, theft also rose in such unlikely towns as Minneapolis (up 59%), Sacramento, CA (up 30.6%), and Baton Rouge, LA (up a scary 130.8%). Meanwhile, in the big cities, vehicle theft fell during the same time period. In New York, vehicle theft dropped 11.4%; it dropped 12.9% in Detroit.

Those numbers should mean something to retailers like David Staurinos of Speed World, Elmhurst, NY; B. F. Green of Western Auto, Dublin, TX; and Ed Jessen of Bert Sales Co., Waterloo, IA; all of whom joked that the only thing manufacturers could do to help them sell more security products was to "send more car thieves to my town." They don't have to worry; the thieves are on their way.

A Bright Future

Besides the jokes, retailers generally feel good about vehicle security products. At least 60% of *Automotive Marketing's* Retail Panel sell some kind of security product. That's up from the 43% who told us that last year. Another 34% feel their sales of security product will increase next year. Most said they felt that way because "theft is up in my area."

And retailers should feel good about the market for security products. The market is "looking stronger and stronger because there is more awareness of the products each year," according to one manufacturer. Aaron Lowe, president of the Vehicle Security Association (VSA), Lanham, MD, agrees. "There is a bright future for these products," Lowe said.

The Other Side Of The Coin

But some retailers find that selling security is not an easy job. Adam Fowler of National Auto, Ilion, NY, said he would like security product manufacturers "to

HOW MANY RETAILERS SELL VEHICLE SECURITY PRODUCTS?

We asked our Retail Panel members the same question in 1987 and in 1986: "Do you sell automotive security products?" Some 17% more said they did this year than last.

No	40%
1986	
Yes	43%
No	57%

Source: 1987 and 1986 *Automotive Marketing* Retail Panel

WILL SALES OF SECURITY PRODUCTS INCREASE?

We asked our Retail Panel members who sell vehicle security "Do you think sales of this product line will increase, decrease, or stay the same?" Most of those who said sales will increase said they felt that way because crime was up in their retailing areas.

Increase	34%
Decrease	3%
Stay The Same	63%

Source: 1987 *Automotive Marketing* Retail Panel

SECURITY

SECURITY HISTORY

No one knows when the first motorized vehicle was swiped. But the automotive manufacturing industry and the automotive theft "industry" probably grew up hand-in-hand. Luckily, for vehicle owners and retailers, the automotive security industry wasn't far behind. A couple of early and odd security devices include:

A removable steering lever on the 1900 Leach Motor Carriage. Early drivers also carried chains and padlocks to secure their vehicles.

Half a century later, a 75- year-old refugee from East Prussia, Emil Fieblinger, invented an anti-theft device that not only snapped a picture of the would-be thief, but also boomed out the recorded message "I am being stolen, stop the thief."

And in 1960, Austrian inventor Ulrich Reiter developed a device that cut off the ignition, sounded the horn, and snapped iron fetters around the ankles of a would-be thief when he inserted the ignition key and stepped on the gas.

WHAT KIND OF SECURITY PRODUCTS DO YOU SELL?

We asked our Retail Panel members "What types of vehicle security products do you sell?" Not surprisingly, many panel members sell simple, mechanical devices as well as sophisticated alarms.

Locking Gas Caps	100%
Mechanical Devices (Such as chain, padlocks, bars, etc.)	76%
Locking Lug Nuts	66%
Audible Alarms	54%
Remote Activated Alarms	29%
Passive Alarms	27%
Anti-Theft Stickers	27%
Removable Steering Wheels	20%
ID/VIN Etching Kits	10%

Source: 1987 *Automotive Marketing* Retail Panel

PROMOTING SECURITY

As a retailer, you can, and should, do a lot of things to promote security products. For one thing, you should contact your suppliers for the latest in training material. Manufacturers will provide training tip booklets and videos on selling and installing their products. Some will even send out a trainer to bring your staff up to speed on the latest technology. Manufacturers also provide great displays to show off and demonstrate their products.

You can also promote vehicle security products by reminding your customers of how important vehicle security is. You can start by posting these anti-theft tips from the Motor Vehicle Manufacturers Association (MVMA) and the Pennsylvania Insurance League.

- Buy and use today's vehicle security products.
- Lock your car, put the key in your pocket. About 20% of theft occurs because of keys left in the ignition.
- Turn your front wheels sharply into the curb. If your vehicle is one that a thief badly needs, he'll tow it. Turned wheels will make towing tough. Also watch for strange tow trucks in your neighborhood.
- Park in a well-lighted area. Guarded lots are a better investment than that freebie space near a dark alley.
- If you have to leave the key with a lot attendant, leave only the ignition key. No point in letting the attendant look in your glove box for documents that show where you and your vehicle live.
- Take your license and registration with you. If left in the car, thieves can use these documents to more easily sell your vehicle, or even impersonate you.
- Don't hide spare keys on the vehicle—thieves know all about that. Keep a spare, unmarked key in your wallet.
- At home, put your vehicle in the garage and lock the garage. Sure it's easy to leave it in the driveway for a quick morning getaway, but thieves like quick getaways, too.

make the products simpler for the customers to use." "These devices require a pre-selling of the customer through TV exposure," according to Lewis B. Edwards of Edwards & Sons, Pahokee, FL. Steve Levine of Midway Auto Supply, Dallas, said he wanted "better displays."

Even some manufacturers admit that selling security is not easy. "It's like insurance. Everybody should have it but nobody wants to buy it. It's always been a tough sell," one said.

That's because $100 spent on a security product is $100 a customer can't spend on products that are more fun—like a new car stereo or a new set of custom wheels. But the customer can buy peace of mind by buying a security product to protect those fun items. And peace of mind is something retailers can sell at a profit, especially with the help of manufacturers.

Some Help From Your Friends

The automotive security industry is trying to make it easier for retailers to sell the products. For instance, the VSA is fighting to have states require insurance discounts on theft policies for vehicles that have security systems. So far, Illinois, Kentucky, Massachusetts, Michigan, and New York require insurance discounts ranging from 5% to 20%. Texas is permitting insurance companies doing business there to offer a discount for security devices, according to Lowe.

Manufacturers are working hard to create a favorable atmosphere for security sales. For instance, Anes is sponsoring a unique program aimed at reducing vehicle thefts in the 50 cities with the highest number of such crimes. Anes is offering a $1,000 prize to the city that records the greatest percentage of decrease in car thefts this August compared to last 1986. (The results are still being tabulated.) Anes president Sheldon Kirshner, in a letter sent to the 50 mayors, urged cities to focus on the fact that August usually posts the highest number of vehicle thefts each year by naming the month "Auto Theft Prevention Month."

The devices themselves, often self-contained for easy DIY installation and passive (self arming), offer a wide range of easy-to-use and easy-to-understand features. The hottest thing in the market today is the variety of remote features. Security systems with remote controls can arm and disarm alarms, lock and unlock doors, roll windows up and down, and open hoods and trunks all at the push of a button. All the "creature comforts" supplied by these remote controlled systems are appealing to women and "yuppie" customers.

The manufacturers are bombarding potential customers with information on vehicle security products. For instance, security products are used as prizes on nationally televised game shows like *Wheel Of Fortune* and *Sale Of The Century*. In the stores, vehicle security displays are color-coded to product boxes to help the customers sell themselves. Security center displays, with non-functional models of security products, explain product features and let interested customers touch the merchandise while keeping the sticky-fingered ones from walking off with valuable floor models. (Ironically, the problem of shoplifting is one thing that keeps some retailers from successfully selling security products. That's because while keeping the product behind glass keeps it from "walking off," it also keeps the customers away.)

The most important thing a retailer can do to boost his security product sales is to let customers know he has the goods. Security must be displayed and promoted to be sold. Retailers should sell a full line of security products, everything from simple items like locking gas caps (100% of our Retail Panel members sell these) to remote and audible alarms (83% of the Panel sell these). But then there are the retailers like the one from Texas who said his security product sales will stay the same next year because "we need to promote these products to increase sales and we have no plans to increase promotion." This guy will lose out on the strong profits these product create. And there's no reason for that. ■